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Gowin New Energy Grp - Audited Annual Results 31 December 2014 London Stock Exchange
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Gowin New Energy Group Limited
08 June 2015

**8
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2015**

**Gowin New Energy Group Limited
("Gowin" or the "Company")**

Audited Annual Results for the year ended 31 December 2014

Gowin are delighted to report its audited annual results for the twelve months ended 31 December 2014. There has been no change in the results from the unaudited results announced on 2 June 2015

Chairman's statement

China's LED Market

In China, LEDs continue to gain more importance due to their power and luminous efficacy. Governments (central and provincial) also support the adoption of LED lighting to a large extent. China's energy savings focus and emerging carbon emission trading systems are key drivers for LED lighting solutions. Therefore, China continues to be one of the largest potential markets for LED lighting. The key end-user segments are the Commercial, Industrial, Outdoor, and Residential segments.

The central government's 12th Five-Year Plan (2012-2016) initiatives are well known. China's Ministry of Finance (MOF) and National Development and Reform Commission (NDRC) jointly published "Interim Measures on Administration of Financial Subsidies for Promoting High-Efficiency Lighting Products." The measures included financial subsidies to promote compact fluorescent lamps (CFLs), LEDs and other highly energy efficient lighting.

Local governments have been much quicker than China's central government in implementing LED subsidies. For example, Guangdong Province, which has the largest LED industry size in China, has the highest amount of subsidies (in areas such as epiwafer, chips, package, applications, substrates, and materials and other key industries or new expansion or equipment investments) and initiatives whereby power costs saved by LEDs are all used to subsidise construction projects. At the same time, "Shanghai's 12th five-year plan for semiconductor lighting and industry development" proposed to upgrade 20 percent of Shanghai's 40,000 streetlights to LED. Other provinces have their own subsidy programs including more and more second tier cities.

It's clear that China's LED industry is still in its early stages, and the lighting industry is facing a difficult transition. The high number of energy efficient subsidies is creating oversupply issues as manufacturers pour more investments into the industry. Additionally, immature LED lighting standards and poor interchangeability between different product brands can result in bad quality products driving out good ones - so industry quality concerns are now coming into focus.

In summary, the LED industry in China faces obstacles such as industry upgrade, lack of market regulations and production management difficulties. LED companies face risks of sliding market share and profit margins if they are unable to release attractive products to gain market share, and overtake competitors in R&D.

So, as LEDinside (a research division of TrendForce) notes, for many LED makers, 2014 has been a challenging year, with performance in the first and second halves of the year very polarised. Lighting market demand was stronger than expected in first-half 2014, leading to a period of LED supply shortages at that time. As the year unfolded it was impacted by clients double booking plus distributors rising inventory levels during second-half 2014. Many manufacturers were impacted by the market's cooling demand, and consequently price competition. Also, the emergence of Chinese LED makers has led to sliding LED product prices. Hence, according to LEDinside, successful LED makers will have to raise technology entry levels and find new applications in the hope of boosting profitability in 2015 and beyond.

Gowin - 2014 Performance Overview

The Group's strategy in 2014 was to leverage its R&D advantage, pursue special lighting niche markets, to engage more selectively in China street lighting projects and to direct more sales to international exports in special lighting and where terms of trade were more favourable regarding cash conversion cycle.

After an encouraging first half of the year, from both sales and collections perspectives, working capital constraints significantly worsened due to a deteriorating accounts receivable position primarily in the outdoor (street lighting) segment in China. Additionally, the Board worked very closely with potential financiers even to the extent of drafting subscriptions, warrants and convertible bonds agreements over a period of several months before the key financier realised it needed to delay its investment due to its own liquidity challenges.

In parallel, the Group was working diligently on new export market opportunities, including major retailing brands. These activities were expected to result in 2014 contracts, but were delayed because of working capital constraints and longer than anticipated pilot and prototype cycle times in part because of the Group's requirement to meet new regulatory requirements in overseas markets.

Financial Results

During the financial year ended 31 December 2014, despite an encouraging first half of the year, the Group recorded a significant drop in revenue amounting to RMB 100 million (2013: RMB 161 million). The reduction in revenue was impacted from working capital constraints and longer than anticipated pre-sales cycles for new international markets projects. The Group recorded a loss after tax for the financial year ended 31 December 2014 amounting to RMB 34 million (2013: RMB 19 million profit).

The outdoor lighting segment comprised around 75% of the total 2014 revenues. Total exports increased to 11% of total revenues. As for the profit margin, the declining selling prices coupling with higher labor and production costs, GP declined to 10.3% (2013: 21%) 10% below budget.

The Group's major operating expenses, comprising research and development and administration, amounted to RMB 15.5 million (2013: RMB 11.6 million). Such expenses mainly comprised (i) research and development expenses to the sum of RMB 2.8 million (2013: RMB 3.3 million); (ii) staff salaries and social security expenses to the sum of RMB 5.6 million (2013: RMB 4.8 million); and other selling and administrative expenses to the sum of RMB 6.4 million (2013: RMB 2.5 million). The Group had developed a plan to strengthen its business controls and streamline its operation process to be executed in the coming financial year.

The basic and diluted Earnings/(Loss) per Share is RMB -0.1 (2013: RMB 0.08).

Dividend

In line with the Group's below target performance in 2014, the Board is recommending no dividend payment for the year.

Key Developments

Although there were no regulatory or compliance issues with Gowin on the AIM market, the Group's AIM Nominated Advisor (NOMAD) resigned effective 27 February 2015 which resulted in the Group's shares being cancelled on AIM on 30 March 2015.

In the meantime, Gowin shares were also listed for trading on the ISDX Growth Market with effect from 26 February, 2015.

The Group is committed to a successful transformation of its business and productive and responsible journey on ISDX. Since February 2015, the Group has made a number of announcements regarding attraction of new Taiwan investors through subscription of new shares in the business and preliminary business transformation steps.

Corporate Governance

The Board worked very diligently and cooperatively with management and staff in its ongoing focus on business survival, fund raising and business reviews. The Board instituted regular Audit Committee meetings in 2014, designed to add value to management in the attainment of the highest standards of financial management.

It is pleasing to note that the Board was stable and united in 2014 and never gave up on its duty of care emphasis to shareholders in the midst of a disappointing second half 2014 performance that was well below expectation and plan.

The Board continued to observe the principles of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, with focus on 12 principles and a set of minimum disclosures.

The Board has recommitted itself to a strong agenda on business strategy, aimed at ensuring the Group maintains and increases its differentiation in the market place, focus on niche markets, enhancing export sales and increasing the quality and scale of its clients and ecosystem of partners along with its products and service delivery. Gowin had adopted Porter's Five Forces Model in evaluating and determining the Board's strategic focus and decision making.

Mr Luke Webster, independent non-executive director, resigned from the Board on 28 January 2015. The Board is very grateful for the contributions he made and the wisdom he offered in his important role as a London based non-executive director of the Company.

Current Trading Outlook

On 28 January 2015, the Group was pleased to announce that it had conditionally raised £1.2 million by way of an institutional subscription and a convertible loan from Mr Chen Chih-Lung. At an extraordinary general meeting (EGM) on 16 February 2015, the convertible loan converted to 60 million new shares in the Company. On 15 April 2015, Mr Chen Chih-Lung subscribed to a further 40 million shares in the Company.

Mr Chen, along with another non-executive director, Mr Chou Huan-Nan, has joined the Board of Gowin and Mr Chen was appointed CEO replacing Julian Hsieh to take the reins to lead Gowin moving forward.

A transformation agenda is unfolding, which will take root as 2015 progresses and will be incrementally announced during 2015. A new business model, a board comprising stronger representation from non-executive directors and new senior management is anticipated.

As announced on 28 February 2015, the Group will leverage Choice Only International Ent. Co., Ltd, ("Choice"), a Taiwan-based company engaged in the design and manufacturing of digital storage devices, to penetrate the exciting new consumer segment market for LED products. Additional "Choice" like distribution channels are anticipated in 2015.

The Group expects its emphasis on export business growth to yield results in 2015.

The Group continues to be committed to its traditional focus on research and development and is striving for leadership in special lighting products including automobile lighting and trendy consumer products.

The Group realizes it must enhance focus on quality and cost effectiveness in line with customer demands in a maturing and competitive LED market.

The Group must improve its working capital adequacy and efficiency, including reducing its cash conversion cycle by better controlling credit terms and cooperating with financial institutions on debt collection and account receivables financing.

Notes of Appreciation

I wish to thank the Board of Directors for their unceasing endeavours during difficult and high-pressured times. We are grateful to our loyal shareholders, customers and business partners for their unfailing support and trust. On behalf of the Board and senior management, I would especially like to extend our sincere appreciation to all our staff that made significant sacrifices during a very difficult year. Hopefully, 2014 is a pivotal learning year for the Group. Whilst I remain Chairman of this Board, be assured of my personal commitment to staff and shareholders and doing what I can to improving the business in all respects and over time seeking to generate momentum in earnings growth and sustainability.

Garry Willinge
Non-Executive Chairman
8 June 2015

The directors of Gowin New Energy Group Limited accept responsibility for this announcement.

For further information please visit www.gowinyichia.com (<http://www.gowinyichia.com>) or contact the following:

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GOWIN NEW ENERGY GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013
		RMB'000	RMB'000
Continuing Operations			
Revenue	6	100,123	161,842

Cost of sales	10	(89,739)	(127,909)
Gross profit		10,384	33,933
Operating expenses			
Research and development expenses		(2,823)	(3,320)
Administrative expenses		(12,670)	(8,233)
Impairment of Accounts Receivables	20	(24,728)	-
Other income	8	101	397
Gain on foreign exchange		-	32
Operating (loss) / profit		(29,736)	22,809
Finance income	9	692	731
Finance cost	9	(881)	(1,495)
(Loss) / Profit before tax		(29,925)	22,045
Tax	12	(3,622)	(3,023)
(Loss) / Profit for the year attributable to owners of the parent		(33,547)	19,022
Other Comprehensive Income		-	-
Total Comprehensive Income for the year attributable to owners of the parent		(33,547)	19,022
Earnings per share attributable to owners of the parent during the year expressed in RMB per share			
Basic and diluted earnings per share	13	(0.1)	0.08

All operations of the Group are continuing operations.

**GOWIN NEW ENERGY GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	16,126	16,404

Deferred tax assets	17	194	194
Non-current trade receivables	20	-	18,273
Total Non-Current Assets		16,320	34,871
CURRENT ASSETS			
Inventories	19	13,780	33,398
Trade and other receivables	20	114,118	90,979
Cash and cash equivalents	21	89	1,084
Total Current Assets		127,987	125,461
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	22	95,182	77,151
Bank borrowings	23	7,689	7,689
Total Current Liabilities		102,871	84,840
Net Current Assets		25,116	40,621
NON-CURRENT LIABILITIES			
Non-current trade payables	22	12,459	12,968
NET ASSETS		28,977	62,524
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	24	34,571	34,571
Share premium		14,677	14,677
Reverse acquisition reserve		(10,049)	(10,049)
Retained earnings		(10,222)	23,325
		28,977	62,524

The Consolidated Financial Statements were approved by the board of directors and authorised for issue on [] June 2015 and were signed on its behalf by:

Garry Willinge
Director

Chinlung Hsieh
Director

Chen Chih-Lung
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Attributable to owners of the parent				
	Share capital (Note 24)	Share premium	Reverse acquisition reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	20,000	-	-	4,303	24,303
Profit for the year	-	-	-	19,022	19,022
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	19,022	19,022
Total transactions with owners, recognized directly in equity					
Issue of shares	34,571	14,677	-	-	49,248
Reverse acquisition adjustment	(20,000)	-	(10,049)	-	(30,049)
Balance as at 31 December 2013	34,571	14,677	(10,049)	23,325	62,524
Balance as at 1 January 2014	34,571	14,677	(10,049)	23,325	62,524
Loss for the year	-	-	-	(33,547)	(33,547)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	34,571	14,677	(10,049)	(10,222)	28,977
Balance as at 31 December 2014	34,571	14,677	(10,049)	(10,222)	28,977

**GOWIN NEW ENERGY GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss/(Profit) Before Tax	(29,925)	22,045
Depreciation	888	2,530
Finance income	(693)	(731)
Finance cost	870	1,467
Decrease/(Increase) in inventories	19,618	(22,416)
Increase/(Decrease) in trade and other receivables	1,752	(55,577)
Increase in trade and other payables	1,352	45,037
Tax paid	-	(1,578)
Net cash used in operating activities	(6,138)	(9,223)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,655)	(489)
Prepayment of leasehold improvement	-	(2,231)
Gain on disposal of Property, plant and equipment	(5)	(15)
Proceeds from disposal of Property, plant and equipment	-	20
Interest received from business associates	-	723
Net cash used in investing activities	(2,660)	(1,992)
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	29,735

IPO expenses through equity	-	(10,533)
Finance income	-	8
Shareholders loans	8,506	-
Repayment of bank loan	-	(8,562)
Finance cost	(870)	(1,467)
Borrowings from business associates	167	-
Decrease/(Increase) in pledged deposit	-	1,890
Net cash generated from financing activities	7,803	11,071
Net decrease in cash and cash equivalents	(995)	(144)
Cash and cash equivalents at the beginning of the year	1,084	1,228
Cash and cash equivalents at the end of the year	89	1,084

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